South Dakota Lottery
Commission Meeting
December 14th, 2017

SOUTH DAKOTA LOTTERY©

A DIVISION OF THE SOUTH DAKOTA DEPARTMENT OF REVENUE

Executive Director Comments

Executive Director Comments

- Request for Proposals
  - Lotto and Video Lottery Central Gaming Systems

- FY17 Audit
  - No audit findings

- Commissioners Dykstra and Faehn

BRAND
PERCEPTION STUDY

December 2017

AGENDA

GOOD FUNCAMPAIGN

2017 BRAND PERCEPTION STUDY

PERCEPTIONS

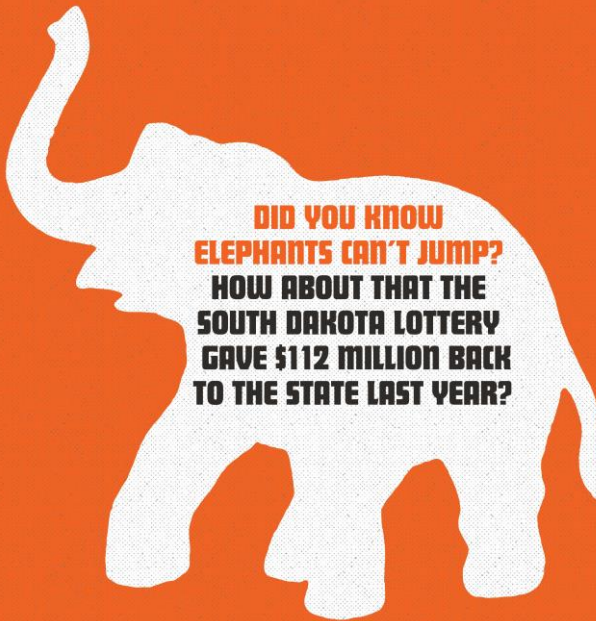**LOTTERY REVENUE**

PLAYING HABITS

DISCUSSION

- **Goal:** Move the audience past their indifference to the lottery and:

  - View the Lottery in positive light

  - Consider it an entertainment option

- **Focus:** Gaming is entertainment with a bigger purpose in mind – improving South Dakota.

GOOD FUN!

FUN AND GOOD FOR SOUTH DAKOTA

2017 BRAND PERCEPTION STUDY

1. Understand SD residents' perceptions of the South Dakota Lottery and its' family of games.

2. Gain an understanding as to whether the perceptions of the South Dakota Lottery have changed since 2015 and if so, how they have changed.

3. Identify ways to move the South Dakota Lottery brand forward in the future.

2017 METHODOLOGY

Online Survey

1,075

Total Completes

Survey creation and recruiting were executed with the goal of ensuring the 2017 study would be as similar as possible to the 2015 study

2015 v. 2017 RESPONDENTS BY GEOGRAPHY

1%
2015: 1%

5%
2015: 7%

9%
2015: 7%

24%
2015: 22%

8%
2015: 10%

11%
2015: 9%

2%
2015: 2%

2%
2015: 2%
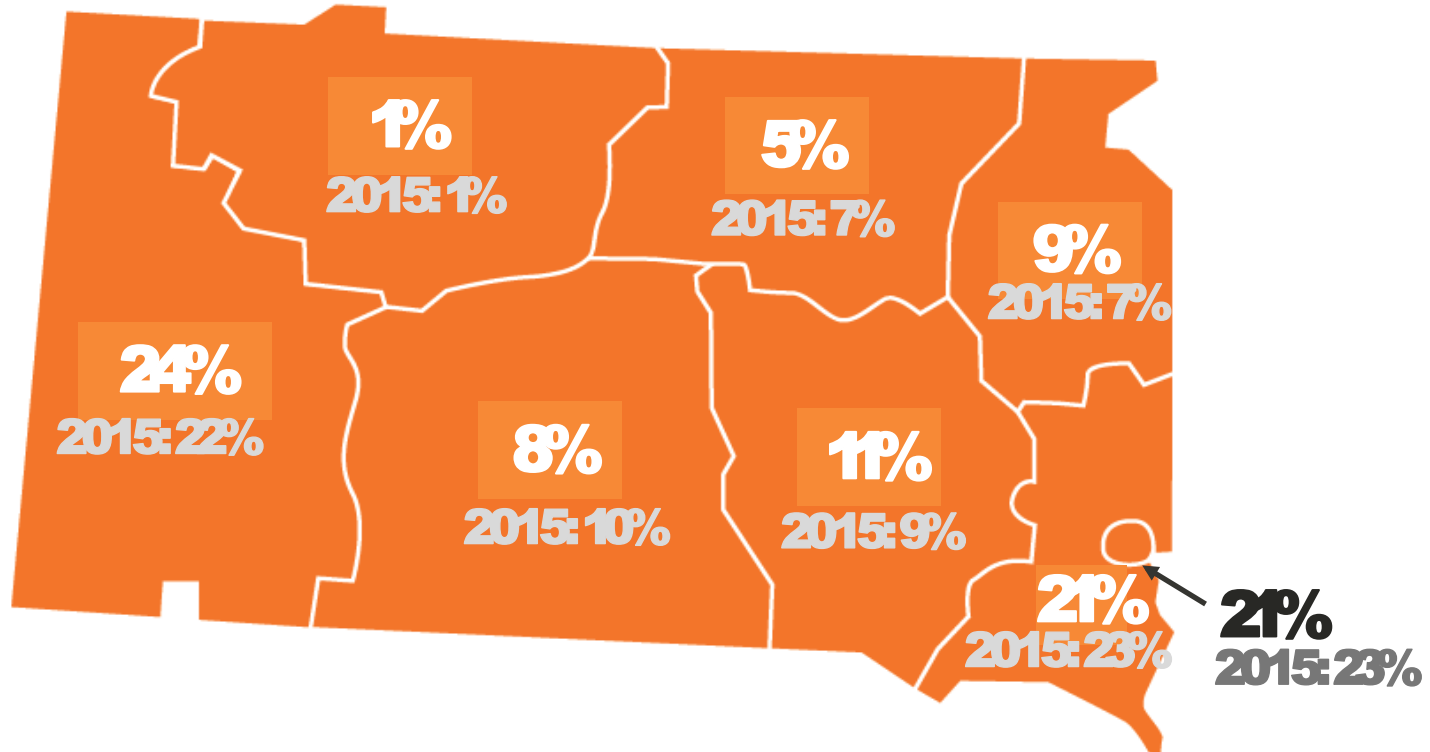
The studies have very similar geographic distributions

*unweighted values

2017 v. 2015 DEMOGRAPHICS

HOUSEHOLD INCOME

	2017	2015
Less than $25k	12%	13%
$25k-$50k	31%	29%
$50k-$100k	35%	36%
$100k-$150k	8%	10%
$150k+	3%	3%
Prefer not to answer	10%	9%

2017   40%   60%

2015   44%   56%

■ 2017   ■ 2015

*unweighted values

10
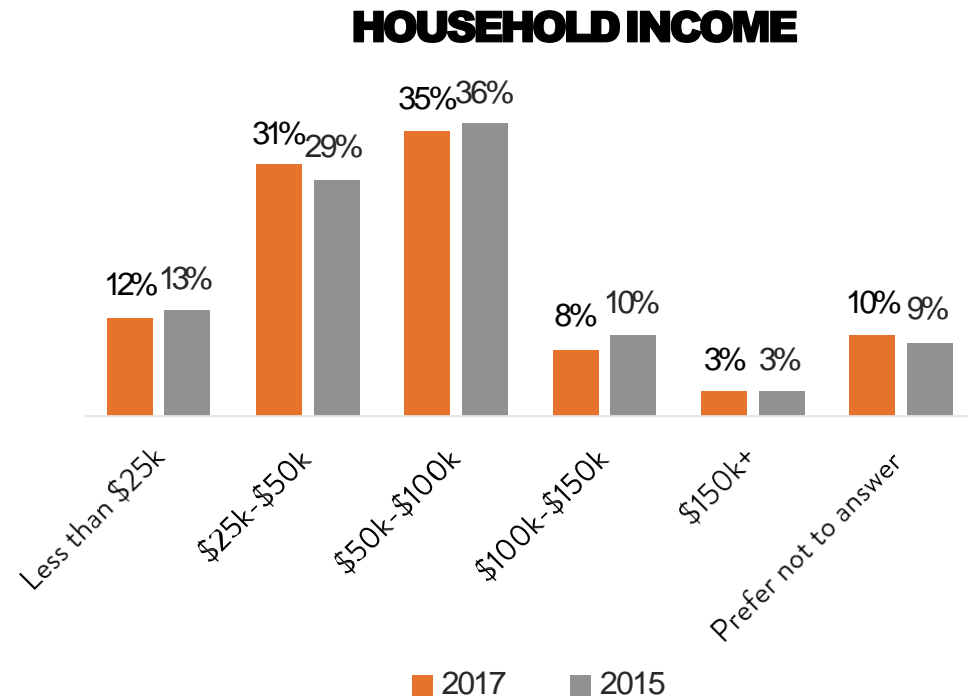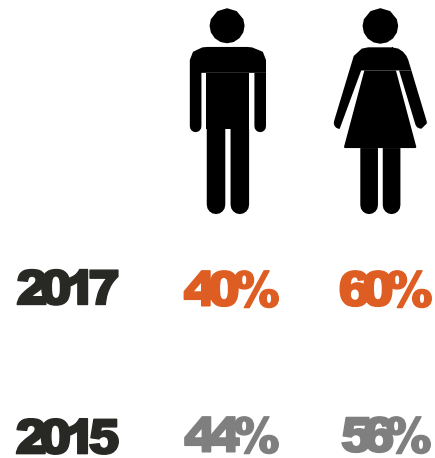
2017 v. 2015 DEMOGRAPHICS

2017 AGE BREAKDOWN

21-35
16%

36-45
18%

46-55
24%

56+
42%
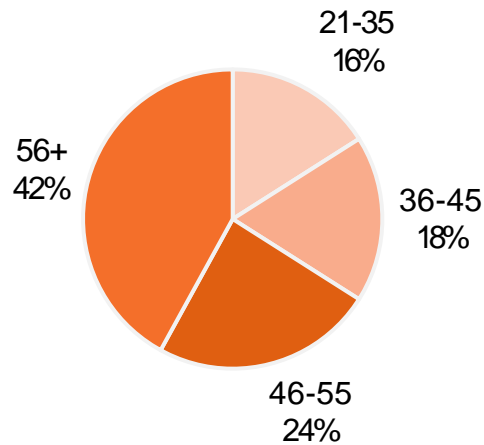
2017 PLAYERS CLUB MEMBERSHIP

70% YES   30% NO

2015 AGE BREAKDOWN

21-35
27%

36-45
16%

46-55
20%

56+
37%
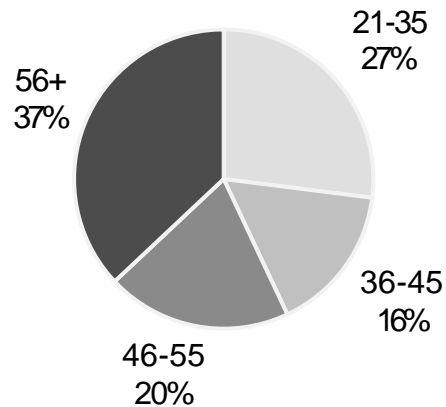
2015 PLAYERS CLUB MEMBERSHIP

57% YES   43% NO

*unweighted values

11

Random **I**terative **M**ethod

BY WEIGHTING THE 2017 SAMPLE DATA
WE CAN ENSURE THAT THE TWO
DATASETS CAN BE ACCURATELY
COMPARED

results across an entire dataset, while balancing certain
categories, such as age or gender, to pre-determined totals

PERCEPTIONS

2015 v. 2017 PERCEPTIONS COMPARISON

FAVORABLE
- 37%
- 65%

NEUTRAL
- 45%
- 21%

NEGATIVE
- 9%
- 12%

NOT FAMILIAR
- 9%
- 2%

■ 2015 ■ 2017

2017 LOTTERY PERCEPTIONS

FAVORABLE
- 70%
- 58%

NEUTRAL
- 18%
- 25%

NEGATIVE
- 11%
- 13%

NOT FAMILIAR
- 1%
- 4%

■ Players Club ■ Non-Players Club

2017 v. 2015 PERCEPTIONS OF THE PLAYERS CLUB PROGRAM

Non-Players Club

	Favorable	Neutral	Unfavorable	Not familiar
2017	17%	41%	7%	35%
2015	21%	41%	14%	29%

Players Club

	Favorable	Neutral	Unfavorable	Not familiar
2017	64%	25%	10%	1%
2015	51%	34%	9%	7%

■ Favorable ■ Neutral ■ Unfavorable ■ Not familiar
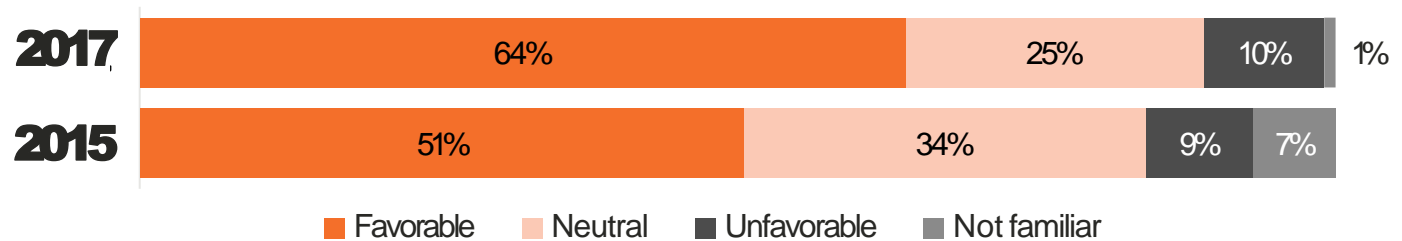
2017 v. 2015 PLAY IT AGAIN PROGRAM PERCEPTIONS

Non-Players Club

	Favorable	Neutral	Unfavorable	Not familiar
2017	26%	34%	8%	32%
2015	21%	35%	12%	31%

Players Club

	Favorable	Neutral	Unfavorable	Not familiar
2017	62%	21%	12%	5%
2015	53%	31%	9%	7%

■ Favorable   ■ Neutral   ■ Unfavorable   ■ Not familiar
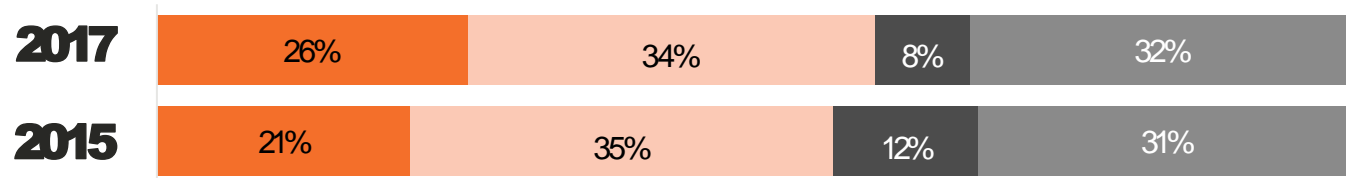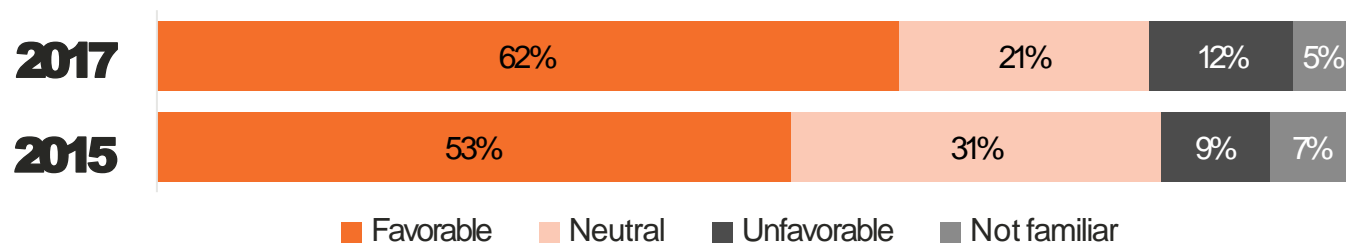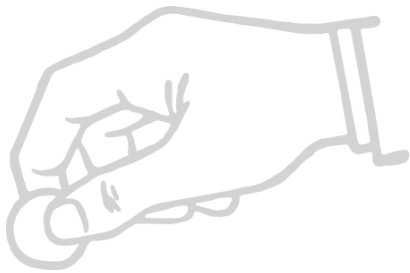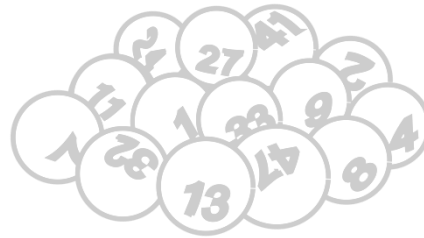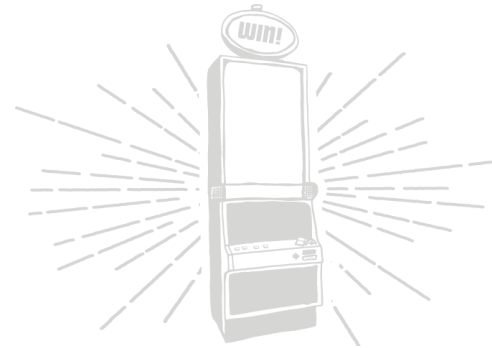
Scratch

Lotto

Video

2017 v. 2015 SCRATCH TICKETS PERCEPTIONS

Non-Players Club

	Favorable	Neutral	Unfavorable	Not familiar
2017	53%	29%	14%	3%
2015	49%	33%	13%	4%

Players Club

	Favorable	Neutral	Unfavorable	Not familiar
2017	68%	18%	13%	1%
2015	59%	31%	8%	2%

■ Favorable ■ Neutral ■ Unfavorable ■ Not familiar
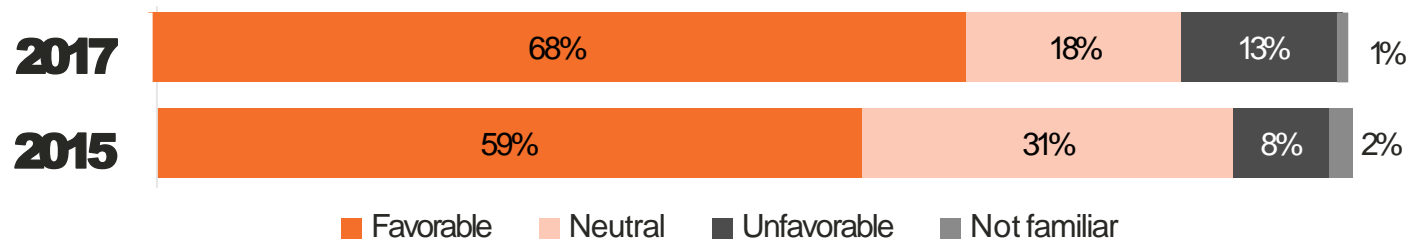
2017 v. 2015 LOTTO GAMES PERCEPTIONS

Non-Players Club

Year	Favorable	Neutral	Unfavorable	Not familiar
2017	57%	25%	13%	4%
2015	50%	33%	13%	3%

Players Club

Year	Favorable	Neutral	Unfavorable	Not familiar
2017	70%	17%	11%	1%
2015	61%	30%	7%	2%

■ Favorable   ■ Neutral   ■ Unfavorable   ■ Not familiar
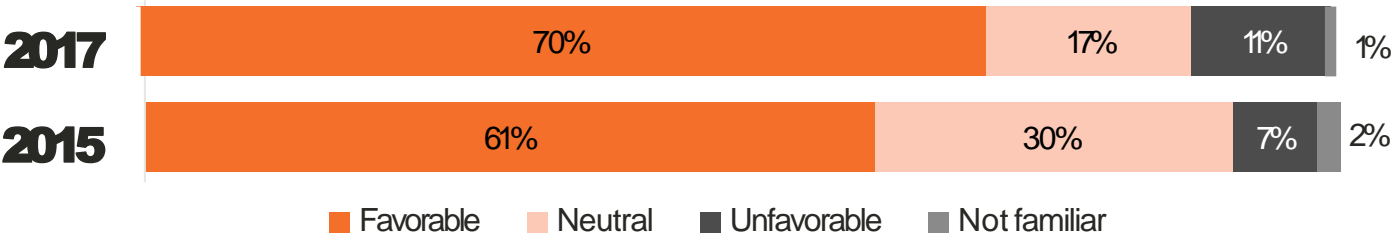
2017 v. 2015 VIDEO LOTTERY PERCEPTIONS

Non-Players Club

2017 | 37% | 29% | 29% | 6%
2015 | 32% | 36% | 26% | 6%

Players Club

2017 | 39% | 33% | 26% | 2%
2015 | 34% | 38% | 22% | 6%

■ Favorable ■ Neutral ■ Unfavorable ■ Not familiar
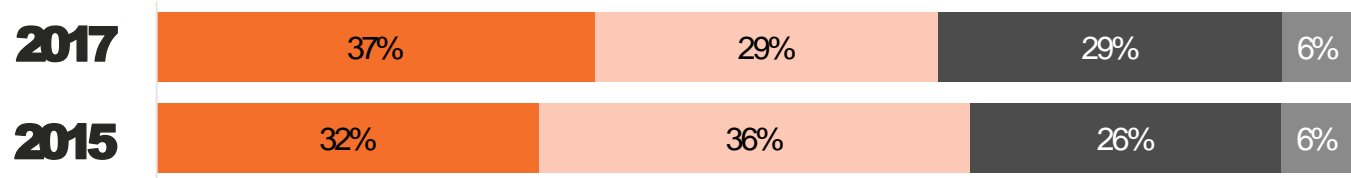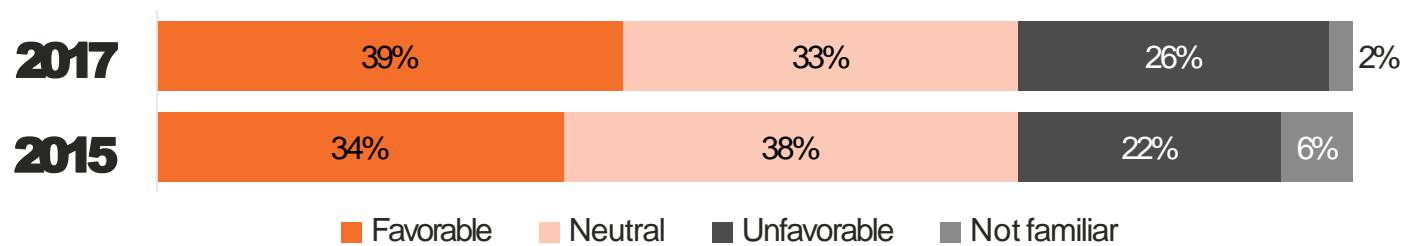
The overall perception of the South Dakota Lottery is far more favorable in 2017

DETERMINING THE EFFECT OF THE GOOD FUN CAMPAIGN
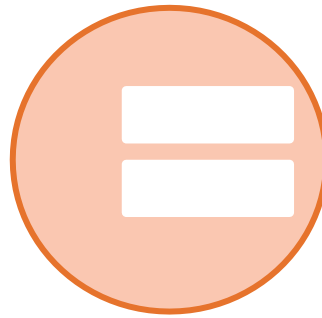
IS THE GOOD FUN MESSAGING WORKING?

PEOPLE REMEMBER LOTTERY ADS

Do you recall seeing or hearing advertising messaging from the South Dakota Lottery within the last year?

YES **84%**

* All Respondents

PEOPLE REMEMBER LOTTERY ADS

Do you recall seeing or hearing advertising messaging from
the South Dakota Lottery within the last year?
(Those who answered "Yes")

Players Club **90%**

Non-Players Club **76%**

* Players Club v. Non-Players Club Responses

PEOPLE REMEMBER GOOD FUN, BUT WE HAVE ROOM TO GROW

Which of the following advertising messages do you recall
seeing or hearing from the South Dakota Lottery?
(All Respondents)

49% Good Fun

36% Dream Big. Win Big.

7% A State of Winning

5% Other

4% Raising Billions to Educate Millions

LOTTERY PERCEPTIONS AND GOOD FUN RECALL

Perceptions of the Lottery

Participants who recalled seeing Good Fun ads

Favorable	Neutral	Unfavorable	Not Familiar
69%	19%	10%	2%

■ Favorable   ■ Neutral   ■ Unfavorable   ■ Not Familiar

* All Respondents
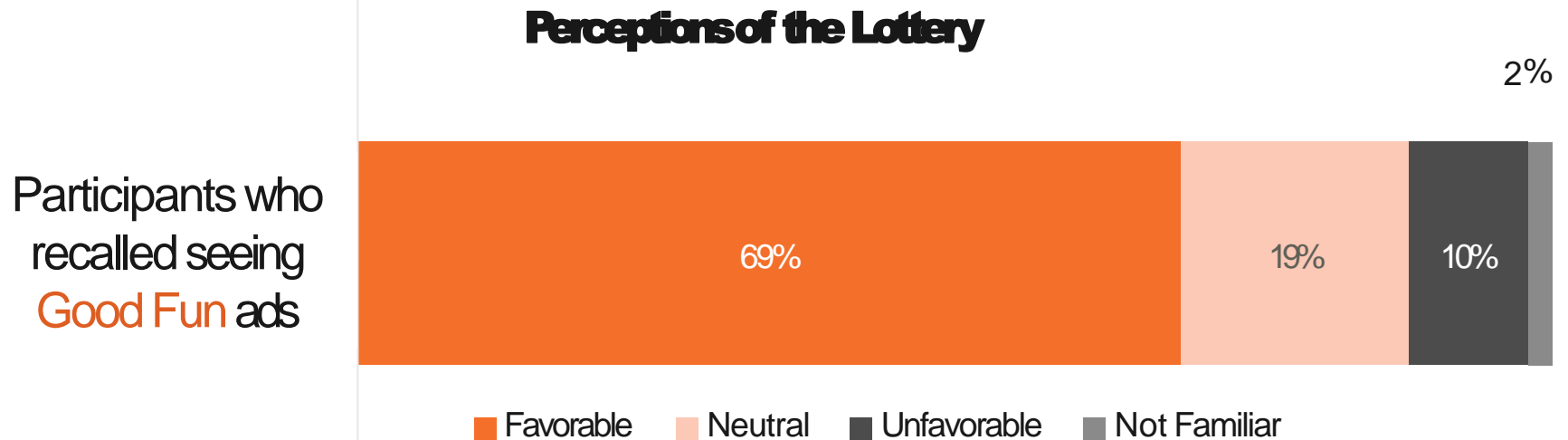
LOTTERY REVENUE

The fun of the South Dakota Lottery

The good the South Dakota Lottery does for the state

2017: MORE KNOWLEDGEABLE OVERALL

"I don't know how the South Dakota Lottery money is used"

2015 Respondents

52%

All Participants

71%

Lapsed Players
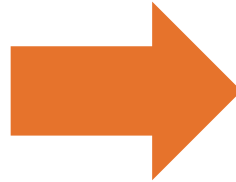
2017 Respondents

50%

All Participants

60%

Lapsed Players

PLAYINGHABITS

OVERALL LOTTERY RECENCY

RECENCY

80%

(Of Non-Players Club Members)

PLAYED WITHIN THE LAST YEAR

- Compared to 78% in 2015

When Was the Last Time You Played the SD Lottery?
(Non-Players Club Members)

2015

36%

64%

2017

28%

72%
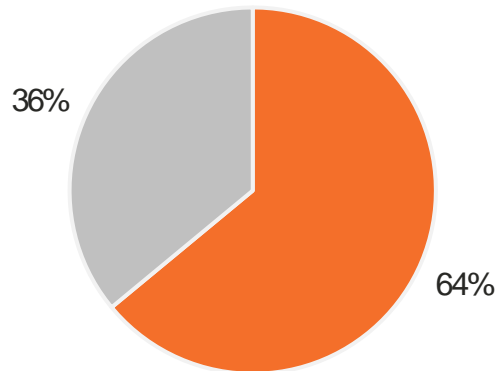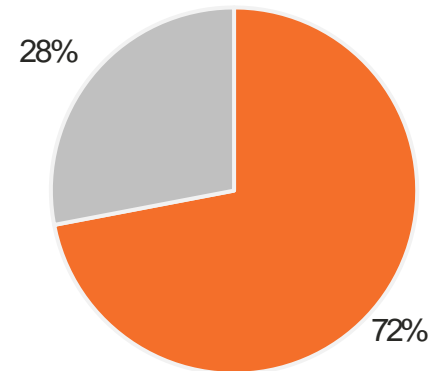
Has **not** played within the last 6 months

Played within the last 6 months

RECENCY

When Was the Last Time You Played the SD Lottery?
(Non-Players Club Members)

2015

2017

8%
INCREASE IN
ACTIVE PLAYERS
(Non-Players Club)

36%

72%

Has not played within
the last 6 months

Played within the last
6 months
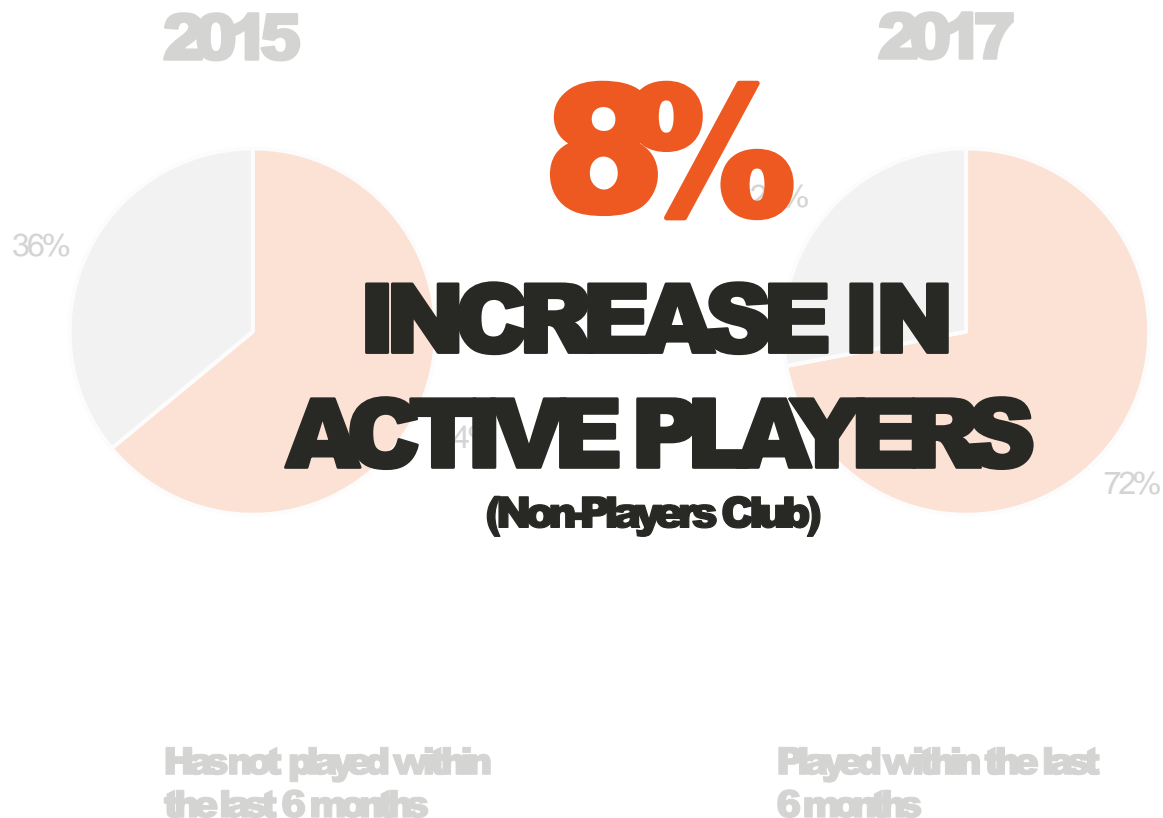
PLAY FREQUENCY BY GAME

SCRATCH TICKETS

How Often Do You Purchase Scratch Tickets?
(Non-Players Club Members)

2015

17%
29%
55%

2017

10%
46%
44%

■ FREQUENT   ■ INFREQUENT   ■ NEVER
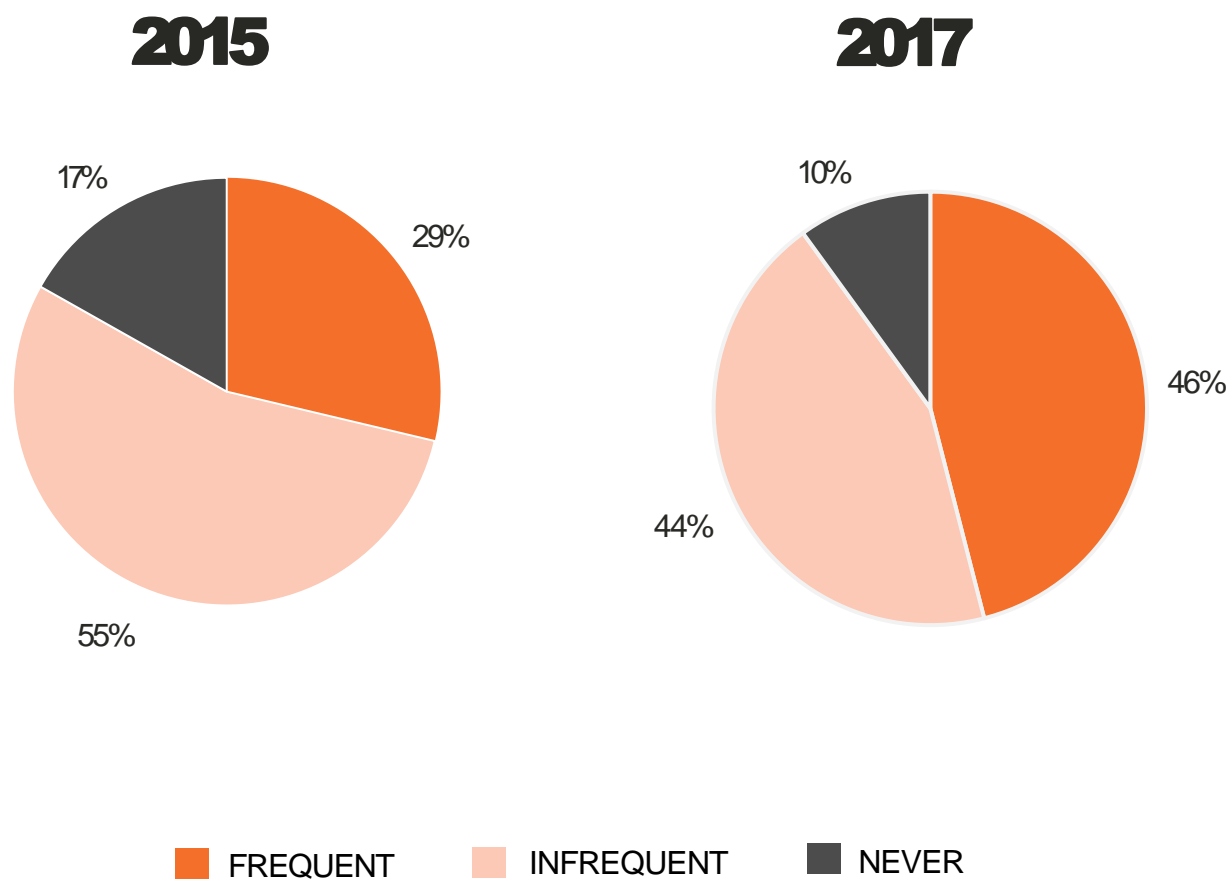
17%

INCREASE IN FREQUENT SCRATCH PLAYERS
(Non-Players Club)

7%

DECREASE IN PEOPLE WHO HAVE NEVER PURCHASED SCRATCH TICKETS
(Non-Players Club)

VIDEO LOTTERY

How Often Do You Play Video Lottery?
(Non-Players Club Members)

2015

2017

21%

38%

41%

22%

32%

46%

■ FREQUENT   ■ INFREQUENT   ■ NEVER
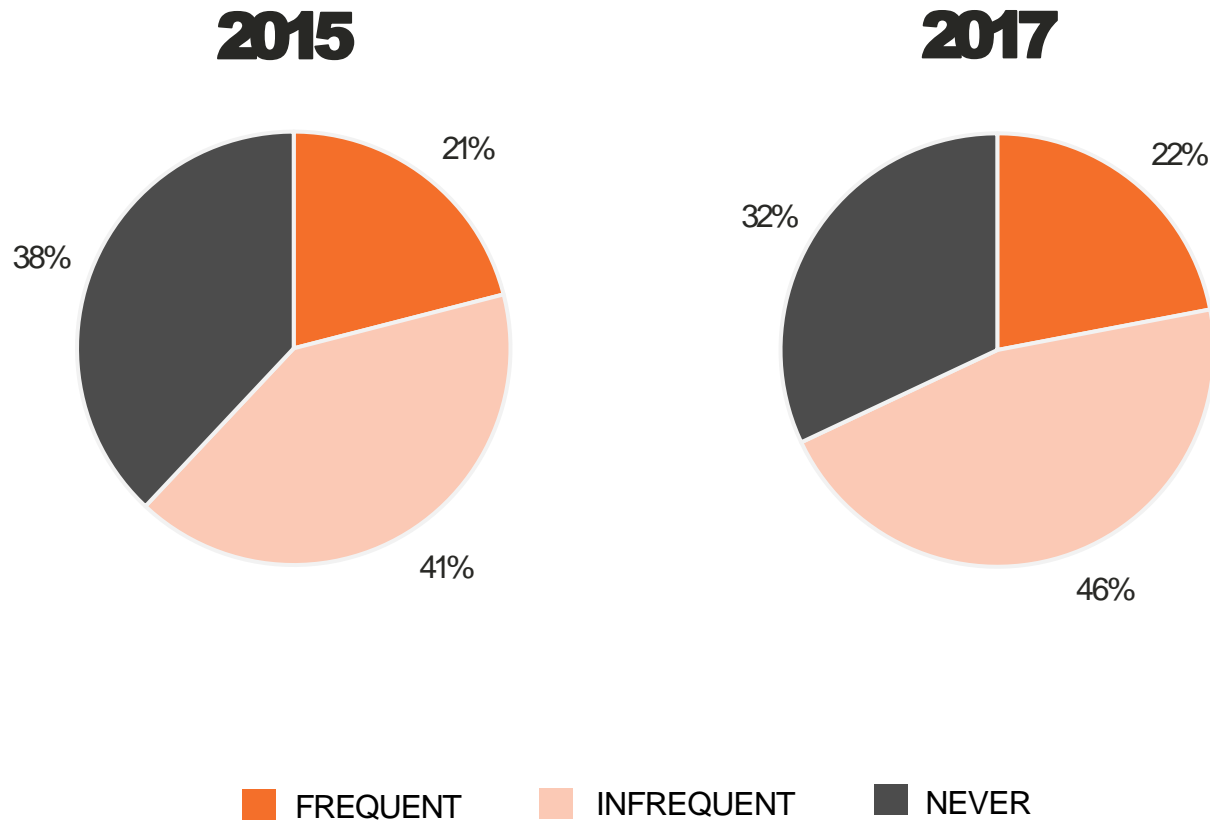
5%

INCREASE IN INFREQUENT VIDEO LOTTERY PLAYERS

(Non-Players Club)

6%

DECREASE IN PEOPLE WHO HAVE NEVER PLAYED VIDEO LOTTERY

(Non-Players Club)

LOTTO GAMES

- How Often Do You Purchase Lotto Tickets?
  - (Non-Players Club Members)

- 2015

- 21%

- 33%

46%

■ FREQUENT   ■ INFREQUENT   ■ NEVER

How Often Do You Purchase Lotto Tickets?
(Non-Players Club Members)

2017

	Powerball	Hot Lotto	Mega Millions	Dakota Cash	Lucky For Life
FREQUENT	43%	34%	29%	36%	29%
INFREQUENT	48%	39%	47%	39%	27%
NEVER	9%	28%	23%	25%	44%

FREQUENT   INFREQUENT   NEVER

SALES

TOTAL SALES

SALES

TOTAL SALES

$800,000,000

$750,000,000

$700,000,000

$650,000,000

$600,000,000

$550,000,000

2%
INCREASE IN SALES
(FY2016 to FY2017)

FY12   FY13   FY14   FY15   FY16   FY17
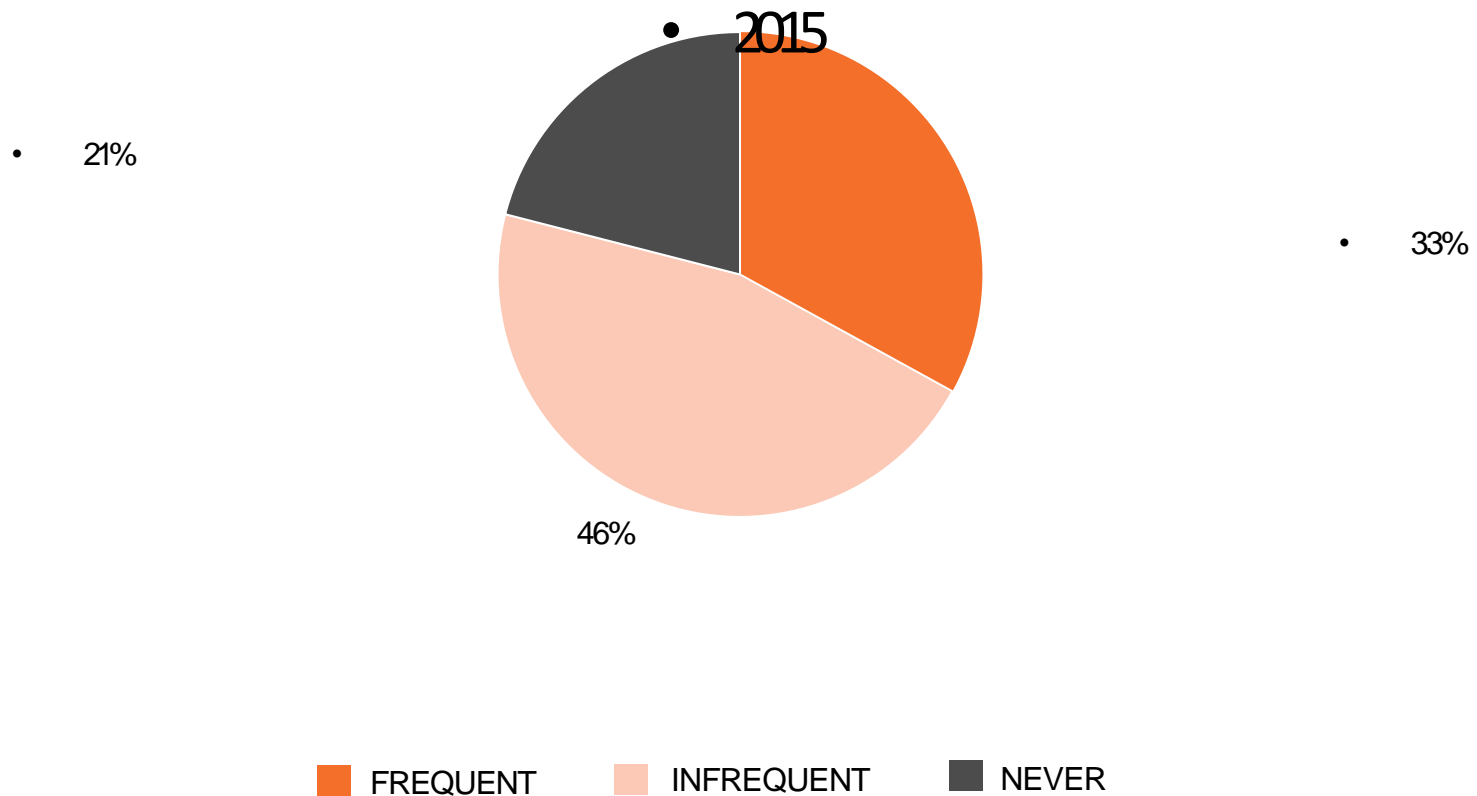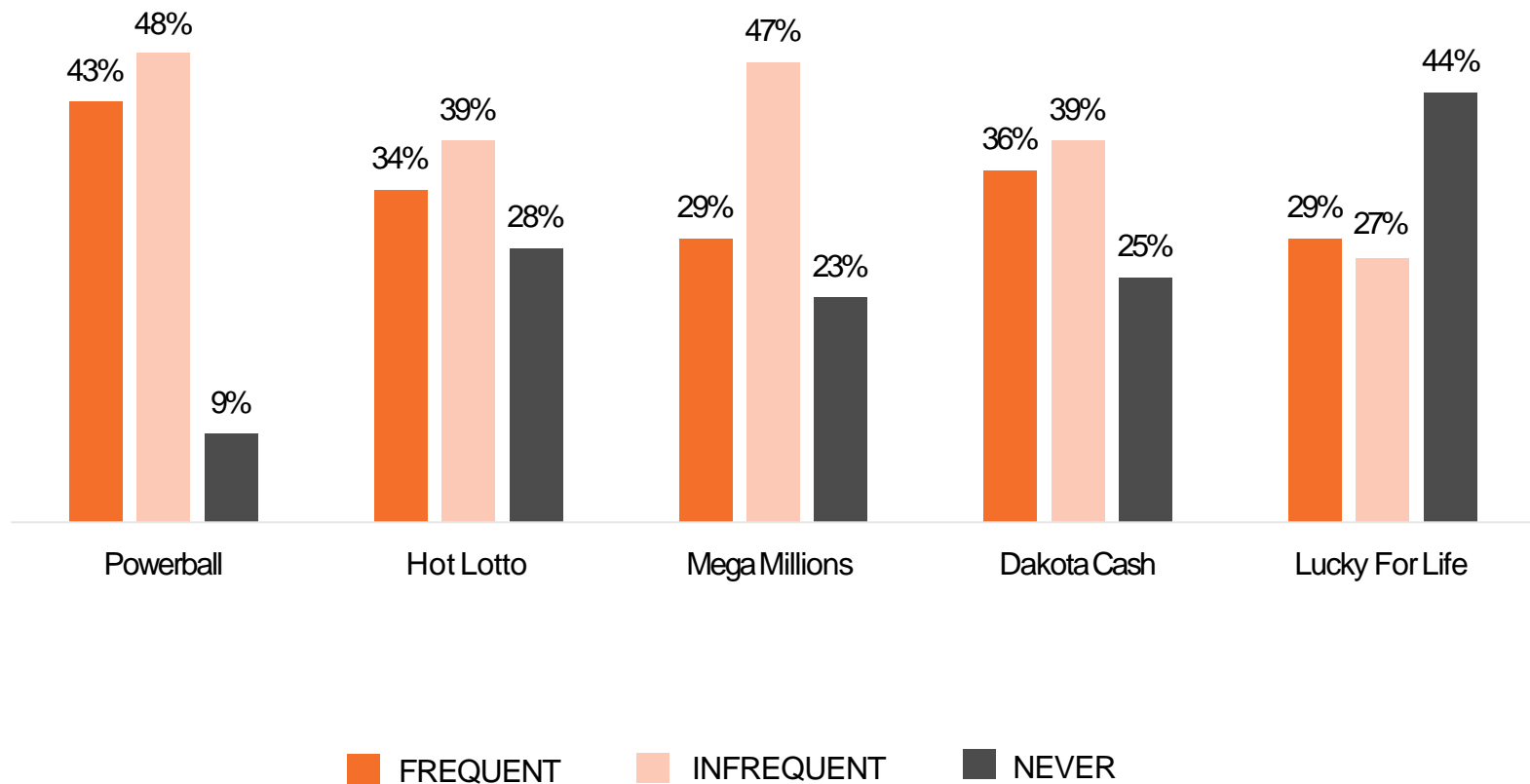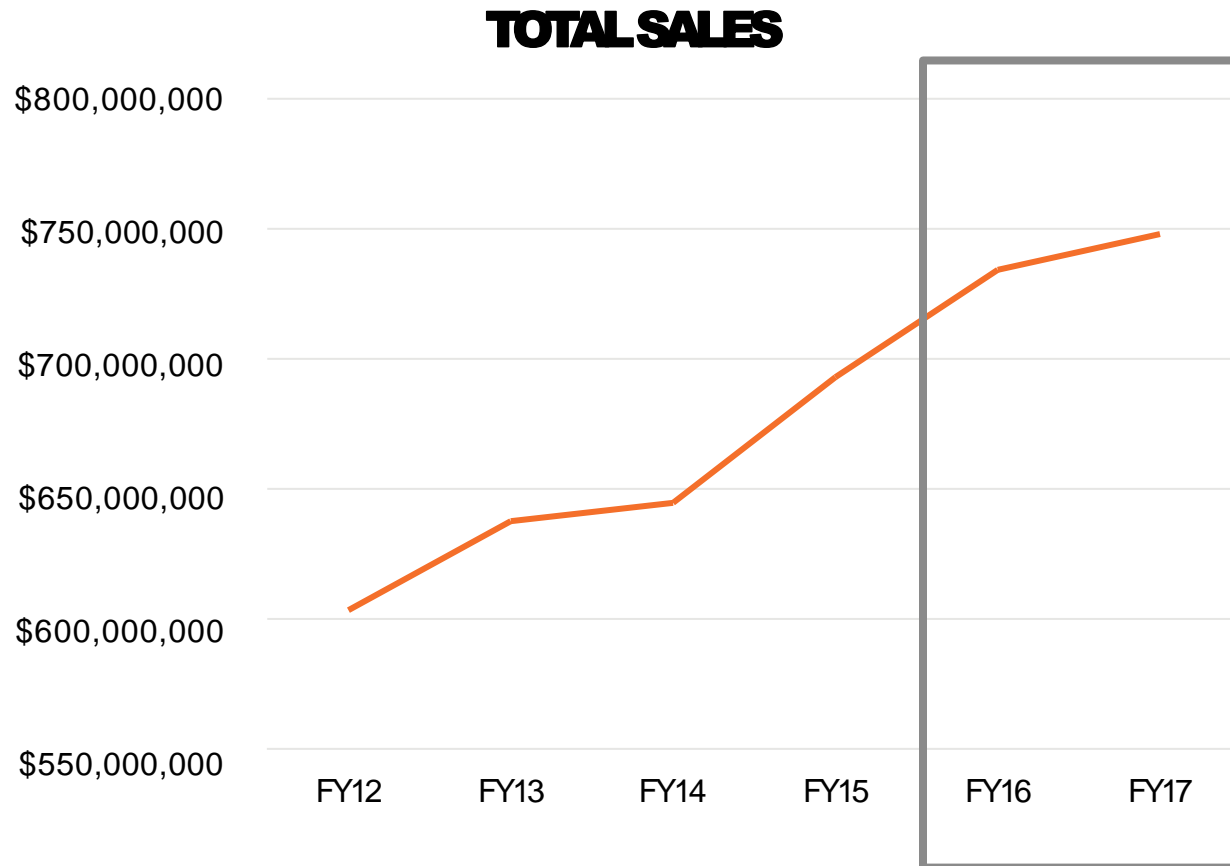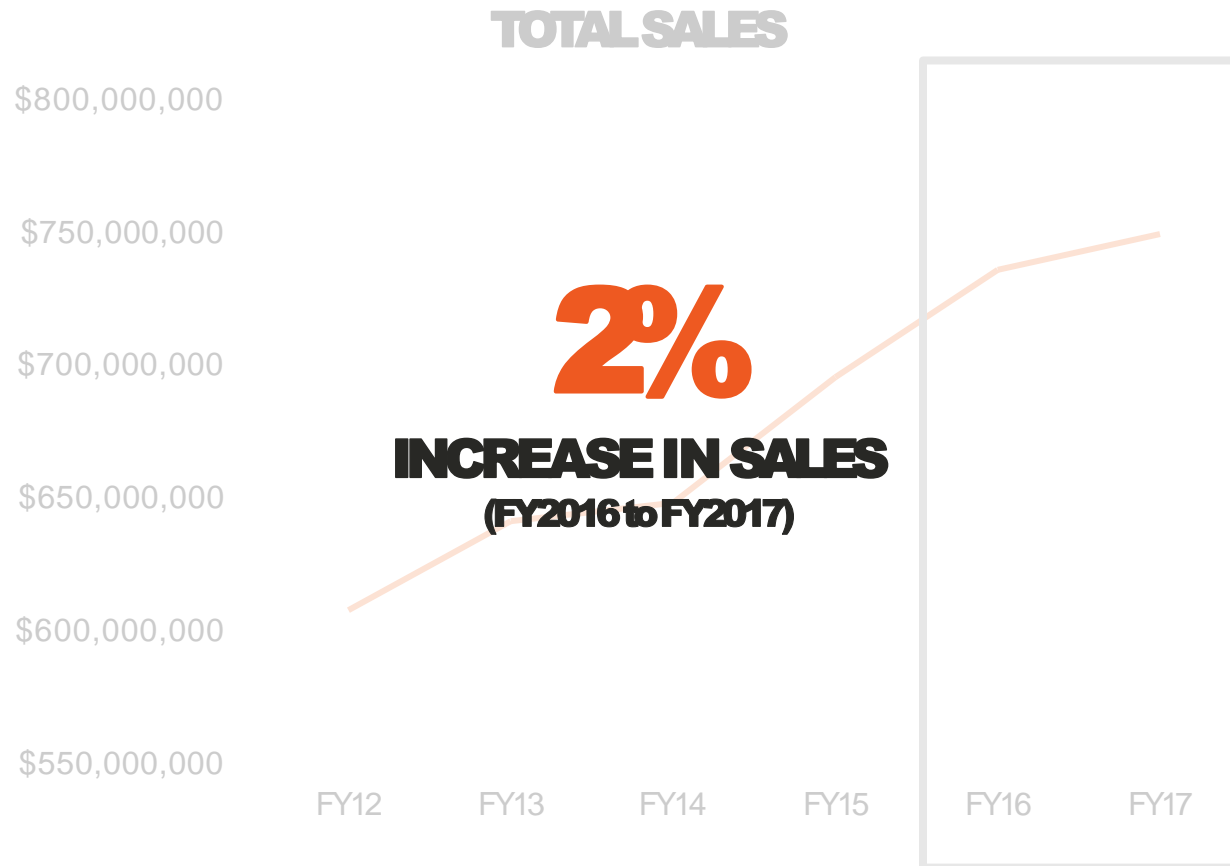
INCREASING PLAY

INCREASING PLAY

Would You Consider Playing the Lottery More?
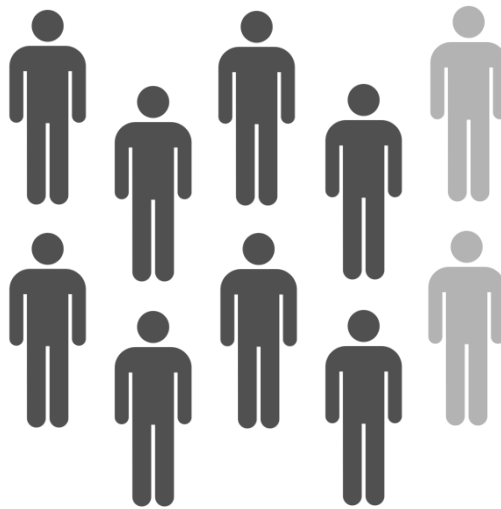
80% of participants responded
yes or maybe to playing the lottery more
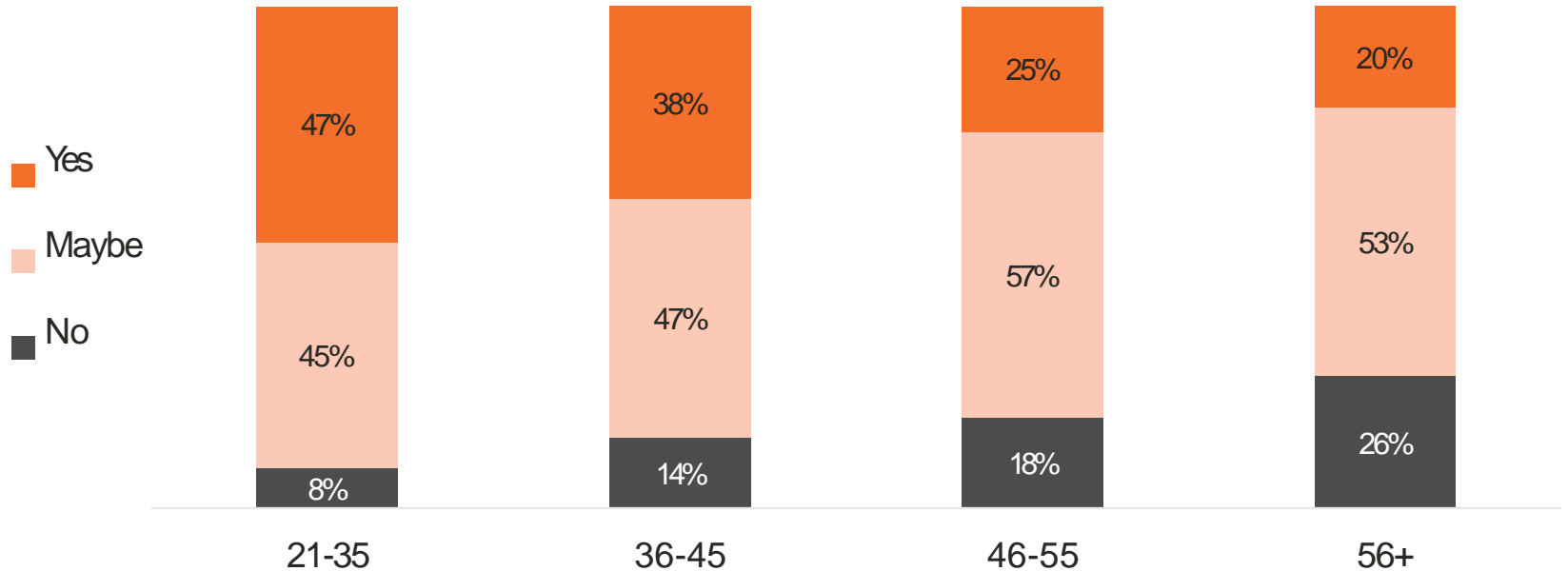
CONCLUSION

TAKEAWAYS

- Perceptions of the SD Lottery have greatly improved since the implementation of Good Fun.

- Residents have a better understanding of where the revenue from the lottery goes in the state.

- Recency and frequency have both increased which has led to an increase in lottery sales.

- An increasing number of people are willing to play the lottery more often and there are many opportunities to continue to growing lottery sales.

- A large proportion of people recall Good Fun.
  - Consider implementing ongoing Good Fun branding campaigns to continue to improve familiarity and perceptions.

DISCUSSION

FY19 Budget Request

- Two Budgets
  - Instant/Online – Informational Budget
  - Video Lottery
- FY19 Request
  - No increases requested
- Budget Amounts
  - Instant/Online - $38,405,766
  - Video Lottery - $2,674,153

FY 18 Video Lottery Performance Review

SOUTH DAKOTA
LOTTERY.

A DIVISION OF THE SOUTH DAKOTA DEPARTMENT OF REVENUE

Total Fiscal Year Net Machine Income

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	18 Projection
Total FY NMI	$224,661,210	$220,125,232	$215,456,826	$191,769,628	$176,644,130	$184,640,564	$185,246,728	$199,129,996	$207,595,278	$212,377,794	$220,961,400

Video Lottery Net Machine Income - 3 Year Monthly Comparison

NMI per Terminal per Day by Terminal Type (Rolling 12 Month Period)

Legend:
- Legacy NMI per Machine per Day (Old Machines)
- Line NMI per Machine per Day (New Machines)

Line NMI per Machine per Day (New Machines):
November	December	January	February	March	April	May	June	July- FY18	August	September	October	November
$91.92	$91.94	$91.78	$91.35	$92.08	$92.05	$92.36	$92.34	$92.09	$92.14	$92.32	$92.22	$92.48

Legacy NMI per Machine per Day (Old Machines):
November	December	January	February	March	April	May	June	July- FY18	August	September	October	November
$51.16	$50.85	$50.62	$50.17	$50.23	$49.90	$49.81	$49.79	$49.68	$49.69	$49.71	$49.69	$49.70

12 Month Period Ending

New & Destroyed Terminals

New | Destroyed
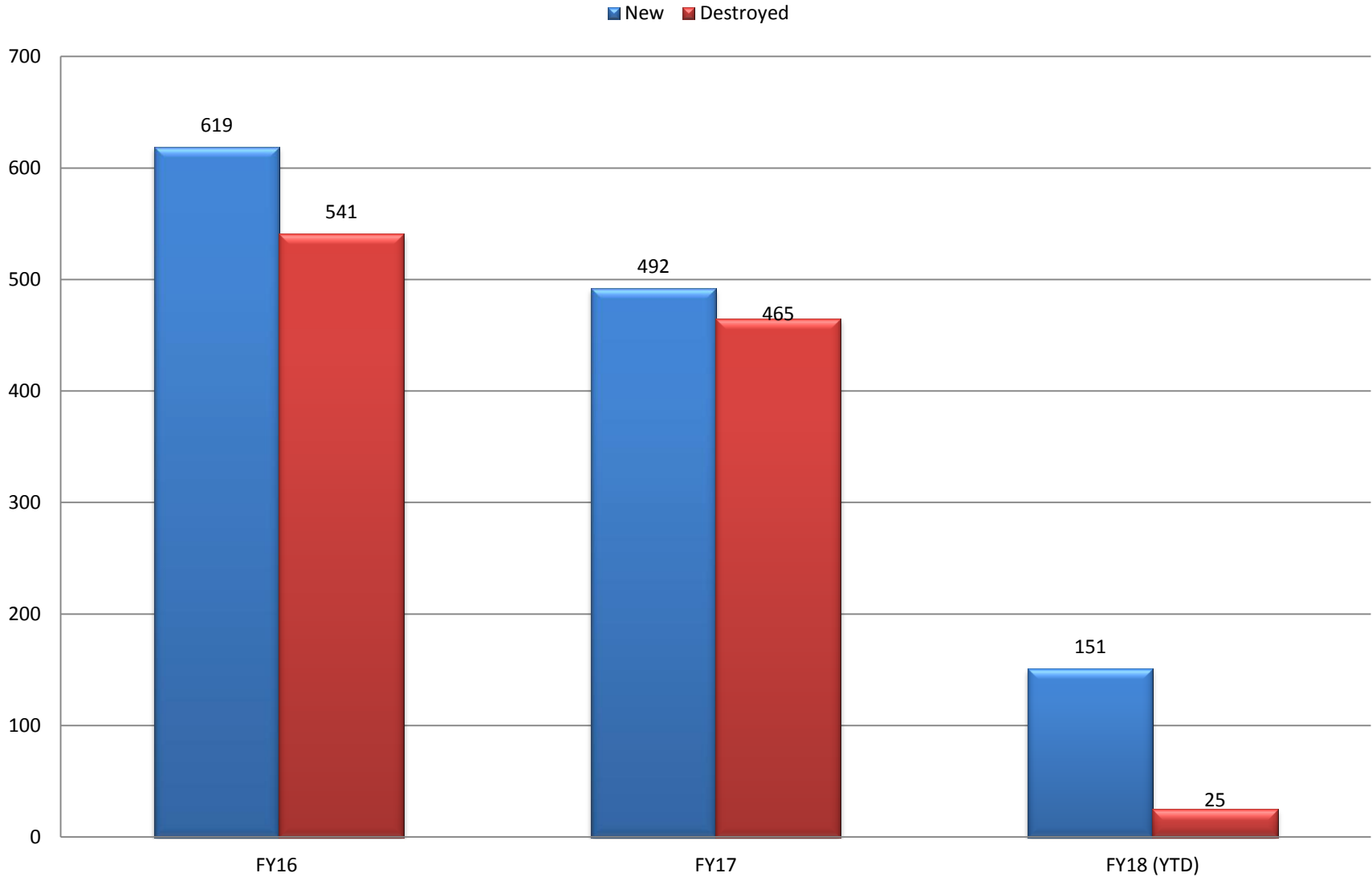
YoY Percent Change in NMI – FY18 vs. FY17

Over Performing Counties

Rank	County	% Change
1	HAAKON	50.7%
2	HUTCHINSON	35.7%
3	DOUGLAS	26.4%
4	CLARK	22.4%
5	SULLY	21.5%
6	AURORA	16.8%
7	BRULE	16.8%
8	CODINGTON	15.5%
9	ROBERTS	14.8%
10	BENNETT	14.5%
11	HARDING	13.7%
12	JERAULD	13.3%
13	HAMLIN	13.1%
14	CHARLES MIX	13.0%
15	MOODY	12.9%
16	LAWRENCE	12.2%

Rank	County	% Change
17	EDMUNDS	11.5%
18	GRANT	10.5%
19	MCCOOK	9.9%
20	BUTTE	9.3%
21	DAY	9.0%
22	GREGORY	8.8%
23	STANLEY	8.2%
24	TURNER	7.0%
25	UNION	6.6%
26	LINCOLN	6.2%
27	MELLETTE	6.1%
28	FALL RIVER	5.3%
29	SANBORN	5.2%
30	CLAY	4.9%
31	SPINK	4.9%
32	MEADE	4.8%
33	DEUEL	4.7%

Under Performing Counties

Rank	County	% Change
34	PERKINS	4.3%
35	WALWORTH	4.2%
36	MINNEHAHA	4.1%
37	MARSHALL	3.8%
38	CUSTER	3.4%
39	PENNINGTON	2.4%
40	JACKSON	1.8%
41	YANKTON	1.1%
42	DAVISON	0.4%
43	BROWN	0.4%
44	BON HOMME	0.2%
45	BROOKINGS	-0.1%
46	KINGSBURY	-2.0%

Rank	County	% Change
47	LAKE	-2.6%
48	HUGHES	-3.1%
49	BEADLE	-3.2%
50	TRIPP	-3.7%
51	POTTER	-5.9%
52	HANSON	-8.0%
53	LYMAN	-8.8%
54	MINER	-9.0%
55	JONES	-9.3%
56	MCPHERSON	-9.9%
57	CAMPBELL	-17.0%
58	HAND	-17.3%
59	HYDE	-18.2%
60	FAULK	-23.0%

YoY Percent Change in NMI – FY18 vs. FY17
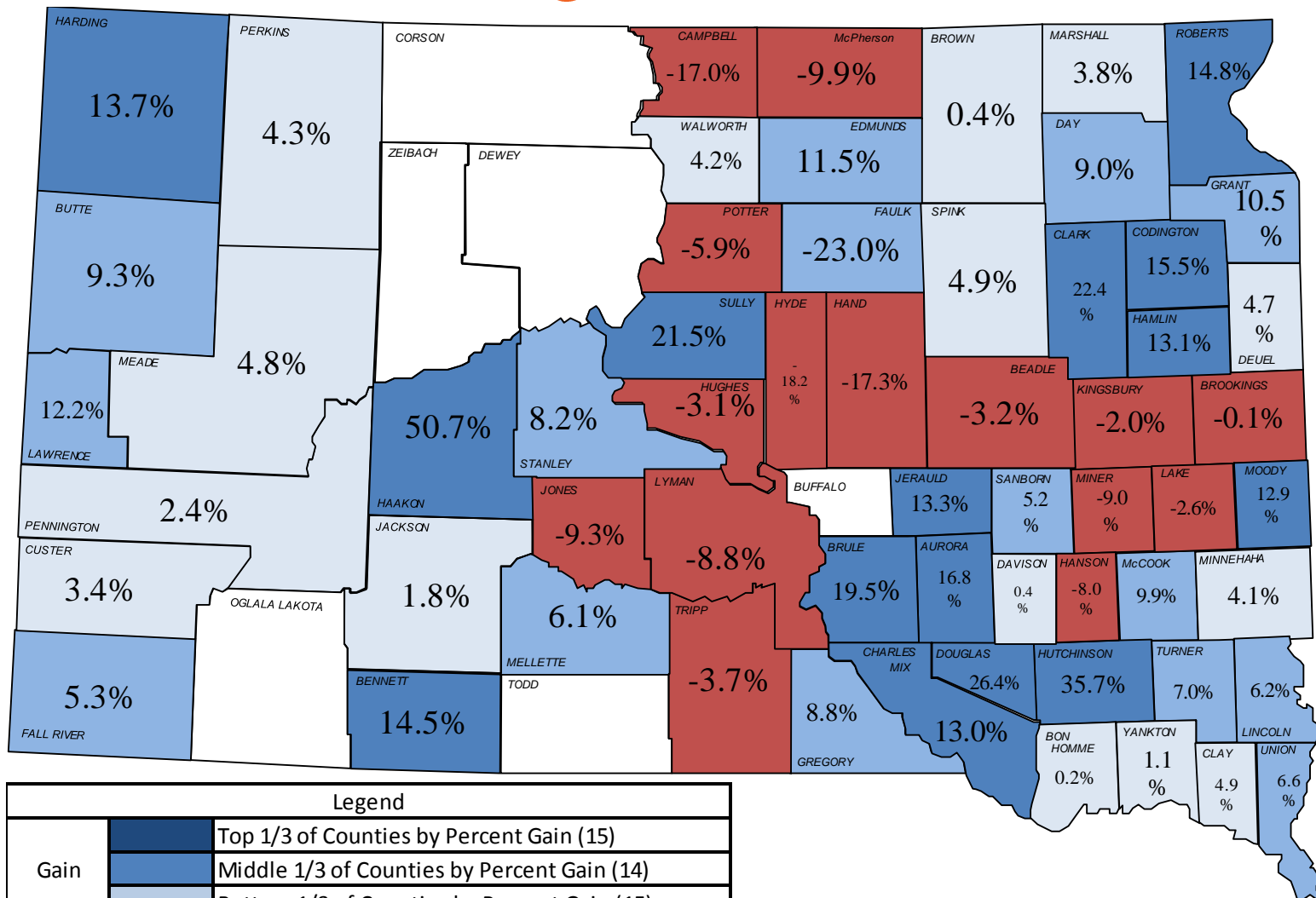
Legend		
Gain		Top 1/3 of Counties by Percent Gain (15)
		Middle 1/3 of Counties by Percent Gain (14)
		Bottom 1/3 of Counties by Percent Gain (15)
N/A		No Video Lottery
Loss		Counties by Percent Loss (16)

Map values by county:

- HARDING 13.7%
- PERKINS 4.3%
- CORSON (N/A)
- CAMPBELL -17.0%
- McPHERSON -9.9%
- BROWN 0.4%
- MARSHALL 3.8%
- ROBERTS 14.8%
- WALWORTH 4.2%
- EDMUNDS 11.5%
- DAY 9.0%
- GRANT 10.5%
- BUTTE 9.3%
- ZEIBACH (N/A)
- DEWEY (N/A)
- POTTER -5.9%
- FAULK -23.0%
- SPINK 4.9%
- CLARK 22.4%
- CODINGTON 15.5%
- HAMLIN 13.1%
- DEUEL 4.7%
- MEADE 4.8%
- SULLY 21.5%
- HYDE -18.2%
- HAND -17.3%
- BEADLE -3.2%
- KINGSBURY -2.0%
- BROOKINGS -0.1%
- LAWRENCE 12.2%
- HUGHES -3.1%
- HAAKON 50.7%
- STANLEY 8.2%
- JONES -9.3%
- LYMAN -8.8%
- BUFFALO (N/A)
- JERAULD 13.3%
- SANBORN 5.2%
- MINER -9.0%
- LAKE -2.6%
- MOODY 12.9%
- PENNINGTON 2.4%
- JACKSON 1.8%
- BRULE 19.5%
- AURORA 16.8%
- DAVISON 0.4%
- HANSON -8.0%
- McCOOK 9.9%
- MINNEHAHA 4.1%
- CUSTER 3.4%
- OGLALA LAKOTA (N/A)
- MELLETTE 6.1%
- TRIPP -3.7%
- FALL RIVER 5.3%
- BENNETT 14.5%
- TODD (N/A)
- CHARLES MIX 8.8%
- DOUGLAS 26.4%
- HUTCHINSON 35.7%
- TURNER 7.0%
- LINCOLN 6.2%
- GREGORY 13.0%
- BON HOMME 0.2%
- YANKTON 1.1%
- CLAY 4.9%
- UNION 6.6%

Top Video Lottery Markets

Rank	City	FY17 NMI	FY18 NMI	% of Total NMI	YoY % Change	YoY $$ Change
1	Sioux Falls	$22,163,479	$23,118,056	25.58%	4.31%	$954,577
2	Rapid City	$10,658,686	$10,994,792	12.16%	3.15%	$336,106
3	North Sioux City	$5,078,113	$5,423,812	6.00%	6.81%	$345,699
4	Aberdeen	$5,090,494	$5,088,091	5.63%	-0.05%	-$2,403
5	Yankton	$3,315,792	$3,354,978	3.71%	1.18%	$39,185
6	Mitchell	$2,795,467	$2,793,846	3.09%	-0.06%	-$1,621
7	Watertown	$2,965,474	$3,417,578	3.78%	15.25%	$452,104
8	Pierre	$2,380,041	$2,300,991	2.55%	-3.32%	-$79,050
9	Huron	$2,692,774	$2,622,012	2.90%	-2.63%	-$70,761
10	Brookings	$1,881,683	$1,799,345	1.99%	-4.38%	-$82,337
11	Box Elder	$1,034,428	$1,042,060	1.15%	0.74%	$7,632
12	Vermillion	$867,311	$918,075	1.02%	5.85%	$50,764
13	Hot Springs	$874,403	$899,600	1.00%	2.88%	$25,197
14	Sturgis	$811,380	$826,275	0.91%	1.84%	$14,895
15	Brandon	$871,444	$913,394	1.01%	4.81%	$41,950
	Subtotal (Top 15)	$63,480,969	$65,512,904	72.48%	3.20%	$2,031,935
	All Other Towns	$23,391,162	$24,870,311	27.52%	6.32%	$1,479,149
	Statewide Total	**$86,872,131**	**$90,383,215**	**100.00%**	**4.04%**	**$3,511,084**

Summary

➢ 4.04% ahead of FY17; Projecting $220.96 M for FY18

➢ On course to top 2009 levels for Net Machine Income.

➢ Since the lowest point in 2012, Video Lottery NMI has almost completely recovered, growing over 25% in six years.

  ➢ 3.8% geometric average annual growth.

Legacy Terminals

Future is Now!

Timeline of Video Lottery in South Dakota

1988 Video Lottery Approved by South Dakota Legislature

1989 First VLC enrolled at Belle Fourche Lodge under Black Hills Novelty Co., Inc. (10/14/1989)

2000 Last date a **new** VLC was purchased and enrolled in the Video Lottery system.(May)

2001 Last software released and approved in South Dakota. (137B1 Software)

2001 IGT states they are no longer supporting VLC machines(July)

Timeline of Video Lottery in South Dakota

2004 Lottery Commission discusses obsolescence letter received from IGT during meeting. (March)

2007 Lottery Commission hold obsolescence hearing.

2008 Lottery Commission obsoletes VLC's. (1-4-08)

2011 Lottery Commission approves Line Games for use in South Dakota(May)

2012 September the first line games introduced into South Dakota video lottery market.(Game Tech)

2013 Legislature approved Linear pay tables and penny denomination.
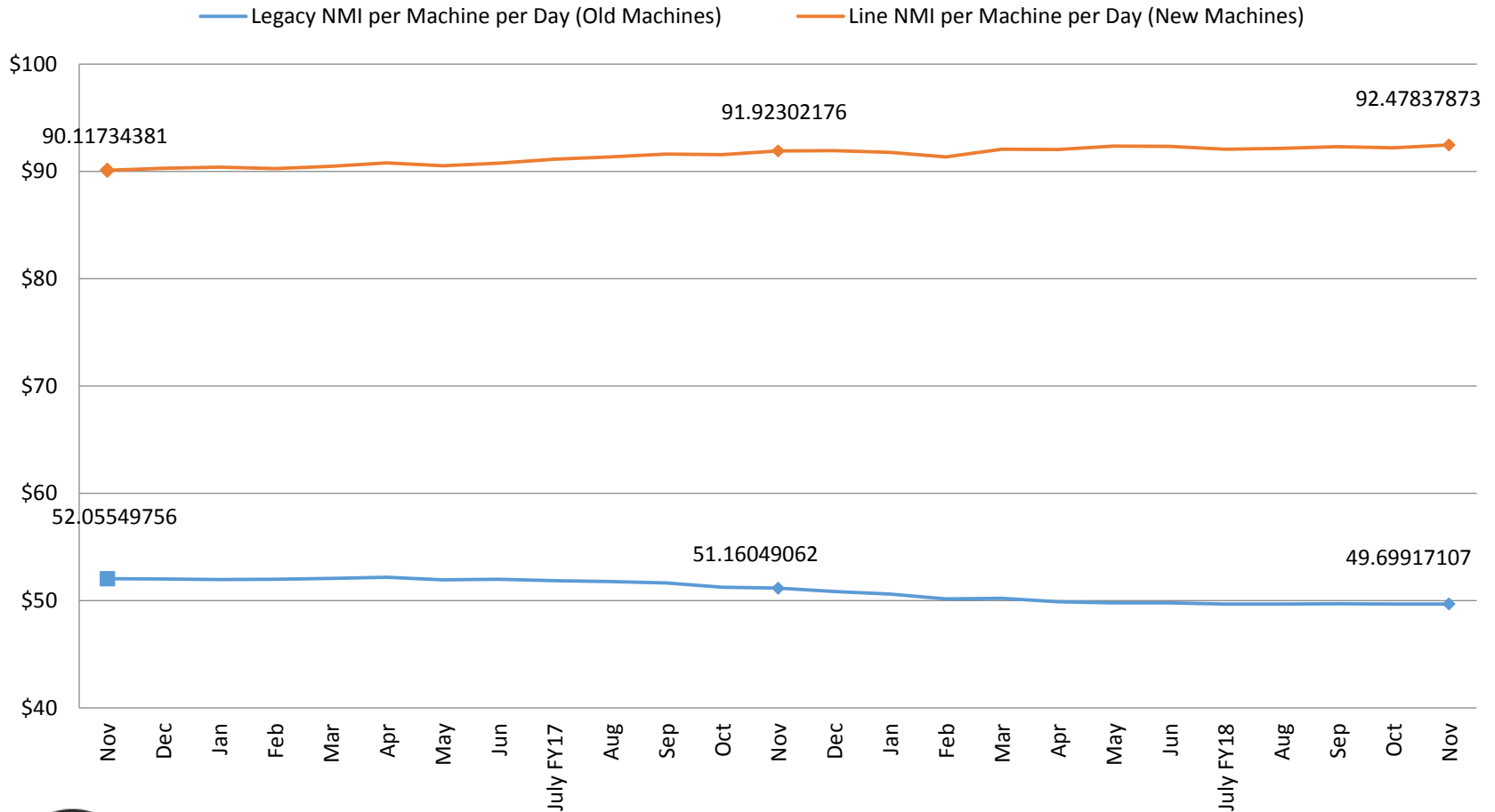
2016 New background check legislation passed.
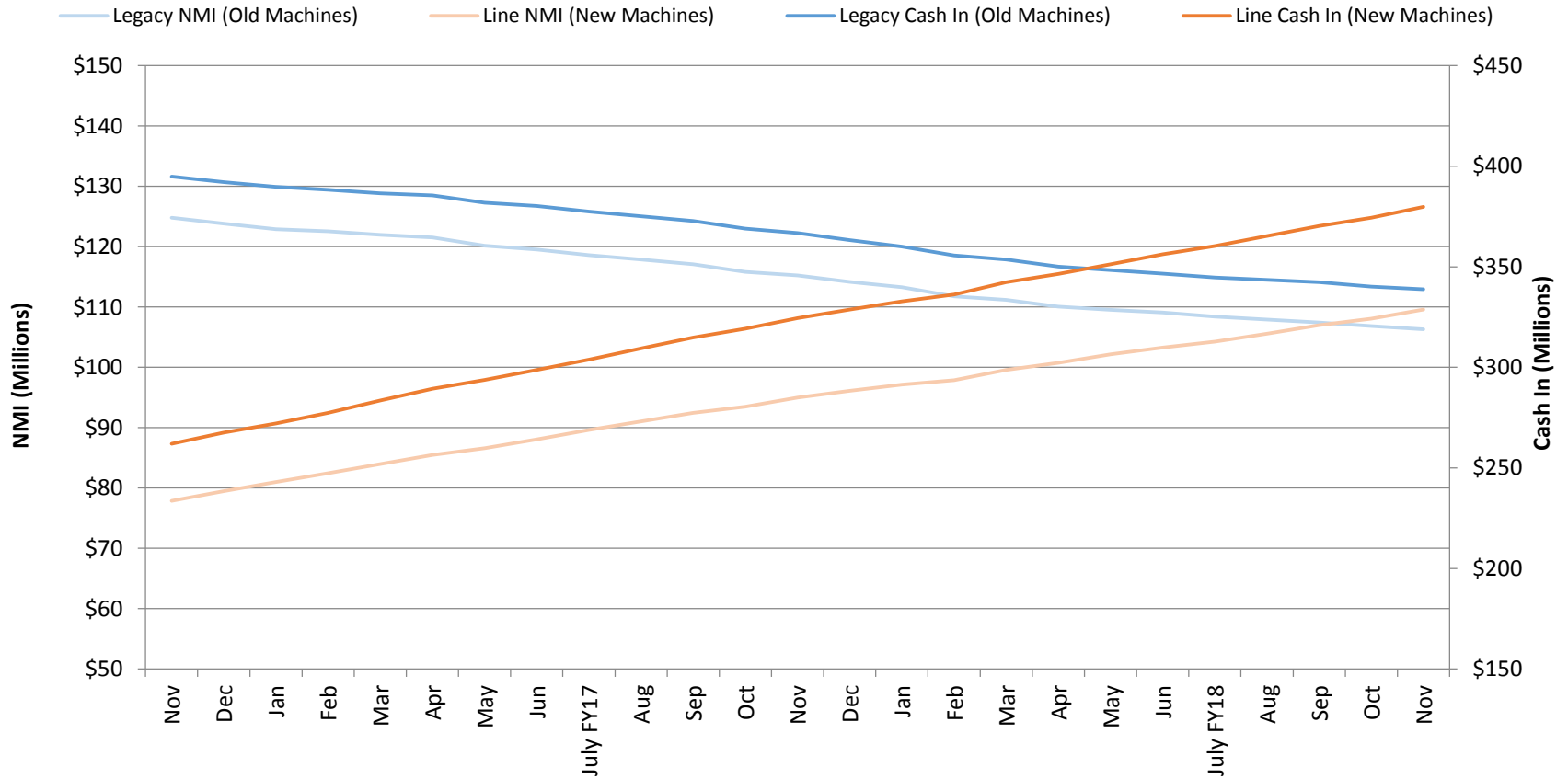
Video Lottery by the Numbers

- Top 100 Performing Machines for November
  - 35 GMMS
  - 62 SAS, 3 Line (Spielos with line games running on legacy protocol)

Video Lottery by the Numbers

- NMI for top 100 GMMS machines: $1,007,938.60
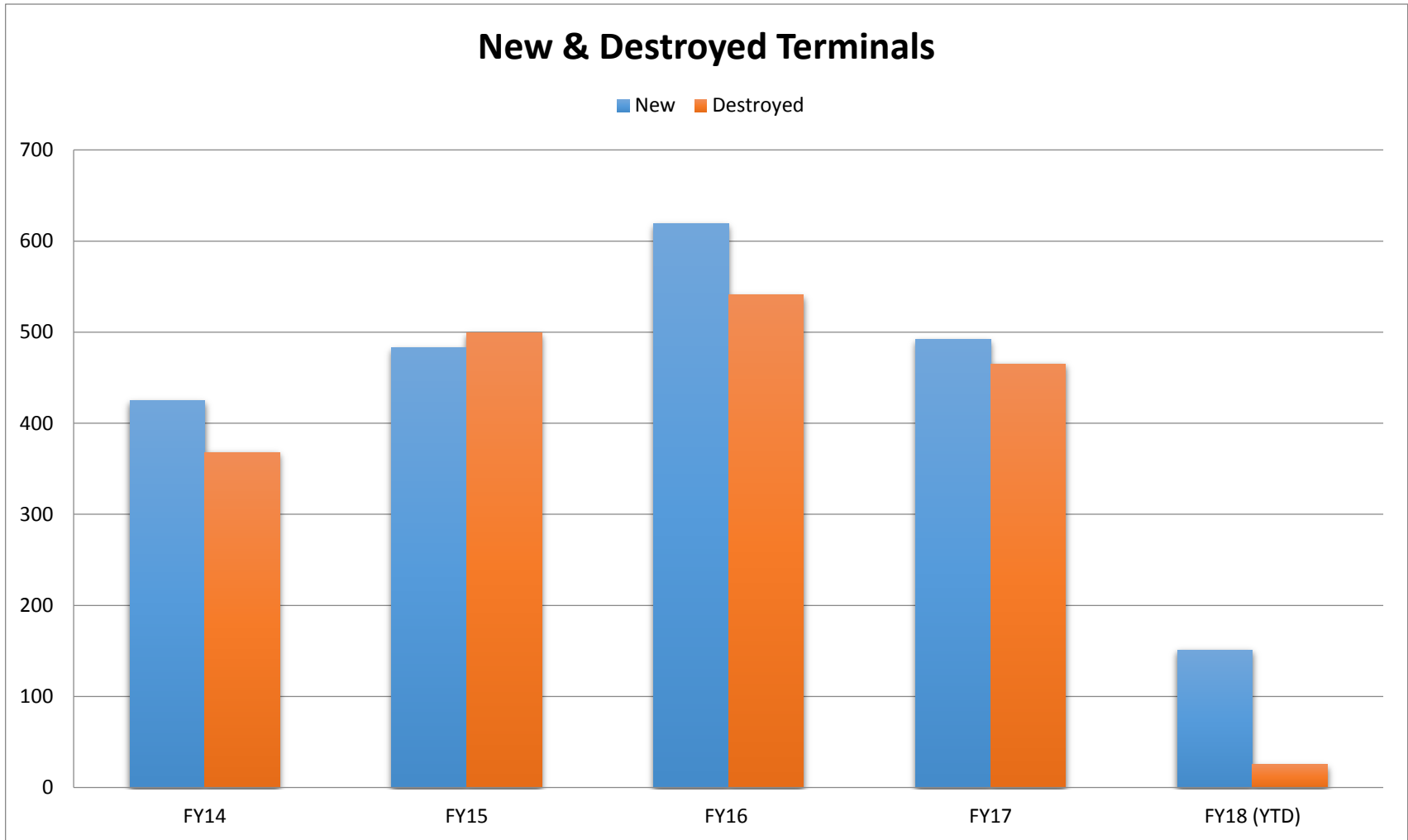
- NMI for top 100 SAS machines: $1,219,173.23

Video Lottery by the Numbers

- 70% of NMI comes from just under 30% of machines
  - 1,423 SAS machines making up $7,142,494.67;
  - 1,106 GMMS machines making up $5,117,436.28;
  - 128 Line machines making up $531,250.90

Video Lottery in South Dakota

42-7A-21.   Rules and regulations. The commission shall promulgate rules pursuant to chapter 1-26 governing the establishment and operation of a state lottery as necessary to carry out the purposes of this chapter. The commission shall promulgate rules concerning the following:

> (10)   The mechanical and electronic specifications for each video lottery machine. At a minimum, each video lottery machine shall meet the requirements of § 42-7A-37;

> (17)   **Such other matters necessary or desirable for the efficient or economical operation of the lottery or for the convenience of the public.**

42-7A-63.   State's percentage of net machine income--Deposit into general fund and video lottery operating fund. **The commission shall maximize revenues to the state from video lottery.** The state's percentage of net machine income shall be fifty percent. The state's percentage of net machine income shall be directly deposited to the general fund, except for one-half of one percent of net machine income authorized for deposit into the video lottery operating fund.

Video Lottery in South Dakota

48:02:05:01. General duties of all video lottery licensees. The general duties required of each video lottery licensee are as follows:

> (5) **Assist the lottery to maximize revenues to the state of South Dakota**; and

Video Lottery in South Dakota

To: South Dakota Lottery Commission

From: Clint Harris, Executive Director

Date: February 26, 2004

Re: VLC Model 8700 Video Lottery Machine Obsolescence

This document provides an overview of the issues associated with VLC's planned obsolescence of their 8700 model video lottery machines. The Lottery's intent is to have an open discussion and identify the issues brought about by the obsolescence, initiate discussion among the interested parties, and develop recommendations for the Commission's consideration at the next Commission meeting.

Background

When video lottery began in 1989, several manufacturers were licensed and sold machines in South Dakota. Within a short time, the VLC 8700 model became the dominant machine, due in part to their technology, durability and player preference. The model 8700 currently comprises 96.5% of all machines in South Dakota.

Because of the VLC 8700's dominance, combined with continuing doubts about the future of video lottery in South Dakota, demand for new machines declined significantly. The other machine manufacturers recognized that South Dakota would not remain a profitable market for their machines and they discontinued business in the state. From 1993 to 2002, no new manufacturers were licensed by the Lottery.

VLC machines have continued to be very durable, reliable and popular with players, even though many were manufactured in the early 1990s. As a result, operators have been able to continue to operate their machines for an extended period of time without the need to invest in new equipment.

Obsolescence

In July 2001, South Dakota video lottery operators received a letter from Anchor Gaming (now IGT), the parent company of VLC. The letter served as formal notification that VLC would no longer support the VLC model 8700 video lottery machines after May 1, 2005.

As VLC's deadline approaches, the Lottery is receiving several inquiries from video lottery operators and their respective trade associations in South Dakota requesting information, guidance and the Lottery's position on the planned obsolescence.

3/9/2004

Page 1 of 3

South Dakota Lottery

Date: July 5, 2001

To: South Dakota Operators

From: Christer Roman, COO
Anchor Gaming Systems Division

Re: Obsolescence of the VLC Model 8700 Gaming Machine

This memo serves as formal notification that VLC will obsolete the Model 8700 gaming machine platform as of May 1, 2005. The 8700 platform and its electronic components were originally designed over 10 years ago and have reached the end of their life cycle. The Model 8700 gaming machine covers any and all gaming machines that begin with 87, for example, the 8724, 8720, 8709, etc. Obsolescence of this platform means that VLC will no longer support the 8700 product after May 1, 2005 including, but not limited to:

- New software development
- Software bug fixes
- Spare parts
- Service and support

For clarity, VLC is currently in the "maintenance" period for the 8700 platform, which means that we are only providing the following support for the 8700 product:

- Software bug fixes
- Spare parts
- Service and support

We are not currently developing new software for the 8700 product line. The primary reason for obsolescence is the ever-increasing difficulty and expense to procure and maintain parts and software support for this product. VLC recognizes this may present some future planning issues for your program, and VLC will make every effort to support the needs of your program. If we can still obtain the spare part needed, we will supply that service; however, if the parts become obsolete, VLC will not redesign the components to accommodate the replacement parts.

We would be pleased to assist you in generating a plan for transitioning from the 8700 platform to best meet your needs for the future. Please do not hesitate to contact your sales representative if you have any questions.

STATE OF SOUTH DAKOTA
DEPARTMENT OF REVENUE AND REGULATION

In the Matter of the Petition for a Declaratory Ruling by IGT, 5301 South Highway 16, Rapid City, South Dakota

Before the South Dakota Lottery Commission.

ORDER

The above matter came on for hearing before the South Dakota Lottery Commission on Friday, October 19, 2007, in Room #412, State Capitol Building, 500 E. Capitol Avenue, Pierre, South Dakota, pursuant to a Notice of Hearing dated October 11, 2007. A Petition for Declaratory Ruling was filed February 24, 2006, by IGT requesting the Commission to make a declarative ruling on the issue of whether the VLC Model 8700 series and the associated equipment should be declared obsolete pursuant to ARSD 48:02:07:09; Petitioner appeared through its counsel of record, Roger Tellinghuisen of Spearfish, South Dakota; Intervenor, Music & Vending Association of South Dakota appeared through its counsel of record, Robert Riter of Pierre, South Dakota; Intervenors Licensed Beverage Dealers of South Dakota and South Dakota Association of Video Lottery Establishments appeared through their counsel of record, Timothy Dougherty of Sioux Falls, South Dakota; and the Lottery Staff appearing through its counsel of record, Andrew Fergel on behalf of the Department of Revenue & Regulation of Pierre, South Dakota. Commission Members present were Tom Leckey, Virginia Nelson, Duane Schmautz, Kory Menken, Susan Shay Brugger,

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Future is NOW

Items to consider:

- Age of current machines in market(30 years)
- Availability of approved parts for older machines
- Video System RFP (Available Extensions)
- Advantage or Disadvantage of running Multiple Protocols
- Line Game Performance vs Legacy Performance
- Current rate of machine investment.(New vs Destroyed)
- Cost of replacement machines

South Dakota Video Lottery

Open and transparent discussion with the Industry that helps maintain and grow the video lottery industry now and into the future. Keeping it as a positive and sustainable revenue source for the State of South Dakota and our partners.

Public Relations & Advertising Report

SOUTH DAKOTA LOTTERY.

A DIVISION OF THE SOUTH DAKOTA DEPARTMENT OF REVENUE

What's New

Lotto America Rolled out on 11/12/2017

What's New

Winner announced 12/04/2017

What's New

Instant Ticket Testing

➤ Testing 44 new games

➤ Using 6 current "control" games. (100 Index)

➤ Testing in January, 2018

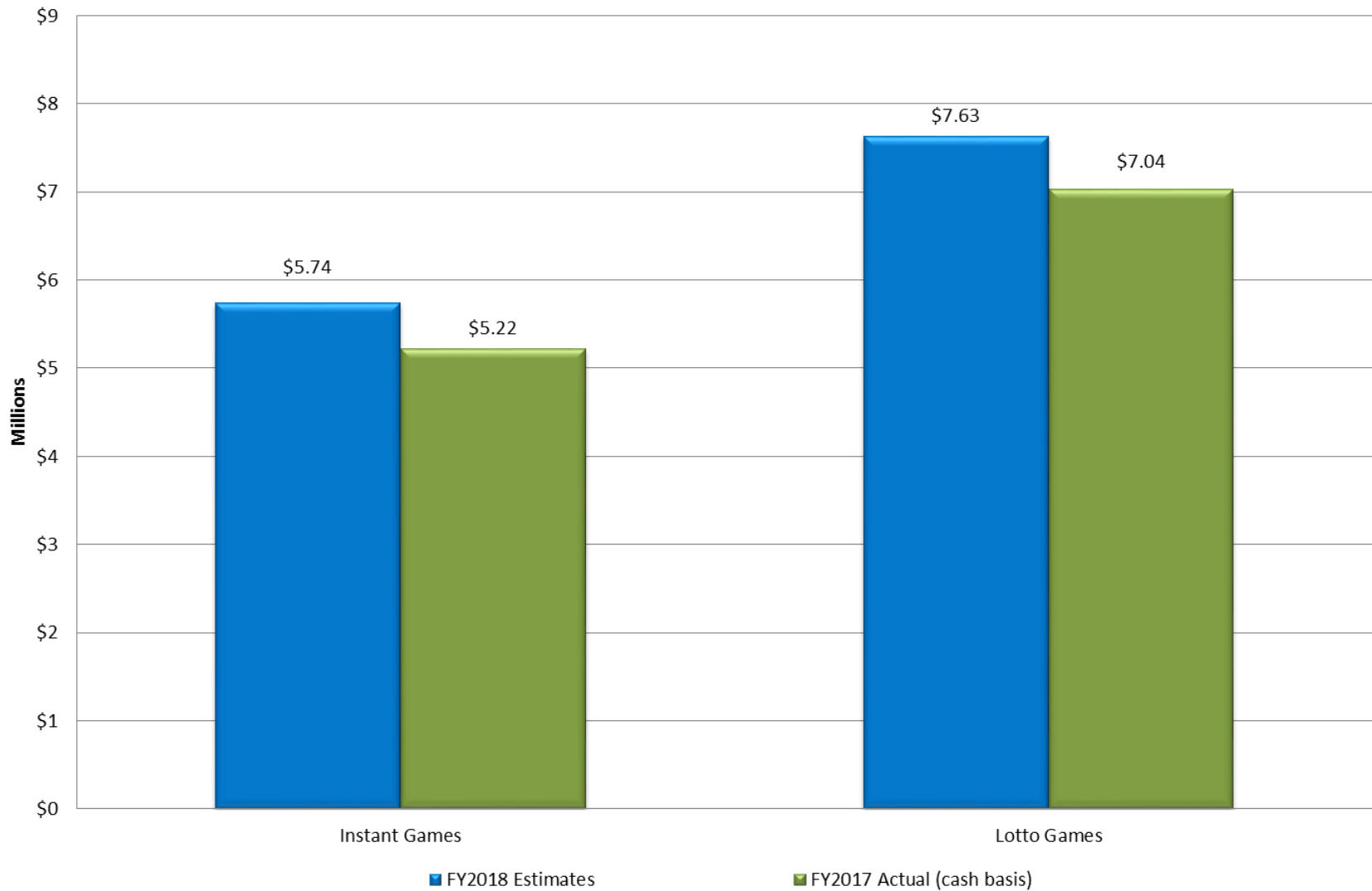| Ticket Price	Number of Games Tested
$1	9
$2	10
$3	9
$5	11
$10	3
$20	2

Sales Report

SOUTH DAKOTA
LOTTERY.

A DIVISION OF THE SOUTH DAKOTA DEPARTMENT OF REVENUE

Year over Year % Changes

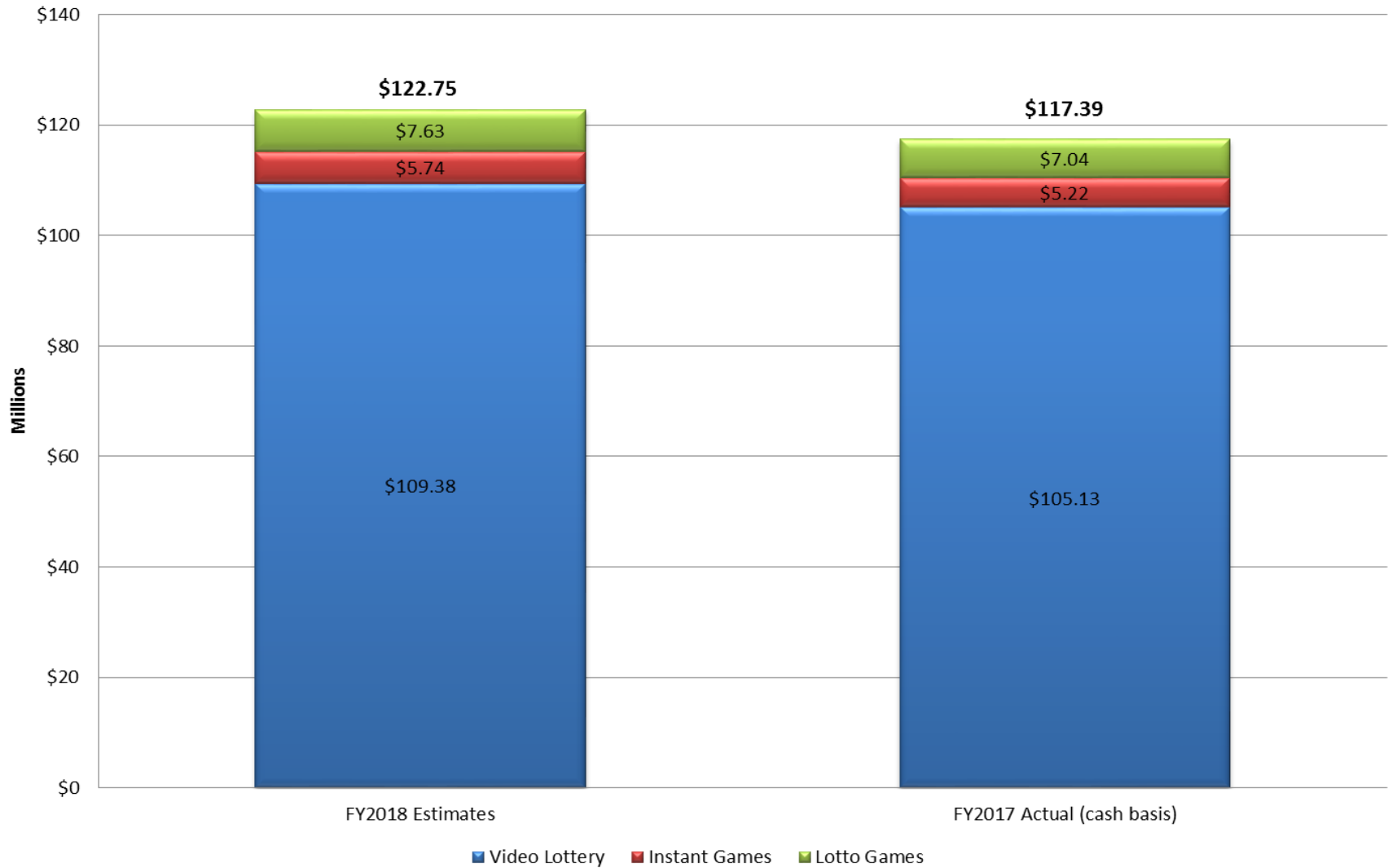|	Week Ending 12/09/2017	Fiscal Year
Instant	14.19%	9.87%
Lotto	36.78%	22.76%
Video	13.52%	4.35%

Instant and Online FY18 Revenue Projections
As of November 30, 2017

Total FY18 Revenue Projections
As of November 30, 2017

Chart, Millions (y-axis), showing two stacked bars:

FY2018 Estimates — Total **$122.75**
- Lotto Games: $7.63
- Instant Games: $5.74
- Video Lottery: $109.38

FY2017 Actual (cash basis) — Total **$117.39**
- Lotto Games: $7.04
- Instant Games: $5.22
- Video Lottery: $105.13

Legend: ■ Video Lottery ■ Instant Games ■ Lotto Games

SOUTH DAKOTA
LOTTERY™